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Subject: RE: Further question on 460

The following definition of contract price for PCM purposes is taken from Notice 89-15, 1989-1 C.B. 634, Q&A 27:

All amounts that the taxpayer is or will be entitled to receive *from the customer* under the contract, or any other rule of law (including, for example, the contract law rule of quantum meruit, or other quasi-contractual remedies) must be included in total expected contract revenues, including amounts, such as retainages, that the customer has contracted to pay only upon satisfactory completion of the contract.

[Emphasis supplied.]

Nothing in the section 460 regulations subsequently published was intended to, or did, change the rule providing that contract price is what the customer pays for the performance of the taxpayer's obligations under a long-term contract.

If the taxpayer has a claim against the customer for these cost overruns, that raises a separate issue, which we can discuss if you like.

Hope this helps.